

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

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*Flex your power!
Be energy efficient!*

May 8, 2009

Shawn L. Cunningham
Assistant Director of Public Works
City of Vacaville Public Works
650 Merchant Street
Vacaville, CA 95688-6908

Re: Provisional Indirect Cost Rate for Fiscal Year ended June 30, 2009

Dear Mr. Cunningham:

We have reviewed the City of Vacaville's (City) Public Works Department (DPW), Engineering Services Division's provisional indirect cost Negotiation Agreement approved by the United States Department of Housing and Urban Development (HUD). The DPW anticipates billing indirect costs to the California Department of Transportation (Department) during fiscal year 2008/09. Audits and Investigations (A&I) has concerns regarding the provisional rate, as HUD indicated it does not audit the indirect cost proposal. However, since HUD is the cognizant federal agency for the City, A&I defers to HUD the approval of the DPW's indirect cost agreement, and will allow the DPW to bill at a provisional rate of 101.31 percent for its Engineering Services Division for fiscal year 2008/09, until the final rate is approved by HUD.

Once the final rate is approved by HUD, the City must submit the final rate to A&I for approval. In addition, within 30 days of approval of the final rate, the City must make an adjustment for any over or under recovery of indirect costs previously billed and reimbursed using the provisional rate. Interest may not be claimed on any potential underpayments.

Mr. Shawn L. Cunningham

May 8, 2009

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Please retain a copy of this letter with your indirect cost Negotiation Agreement. Copies of this letter were sent to the Department's District 4, the Department's Divisions of Accounting and Local Assistance, and the Federal Highway Administration. If you have any questions, please contact Amada Maenpaa, Audit Manager at (916) 323-7868.

MARYANN CAMPBELL-~~SMITH~~
Chief, External Audits

Attachment

- c: Brenda Bryant, Director, Financial Services, Federal Highway Administration
- Sue Kiser, Director, Planning and Air Quality, Federal Highway Administration
- Jenny Tran, Associate Accounting Analyst, Local Assistance Accounting Branch,
Division of Accounting
- David Saia, Transportation Engineer, Local Assistance Policy & Quality Assurance,
Division of Mass Transportation
- Dan Mundy, Branch Chief, Rural Transit and Procurement, Division of Mass
Transportation
- Sylvia Fung, District Local Assistance Engineer, District 4

STATE AND LOCAL DEPARTMENT UNIT
INDIRECT COST NEGOTIATION AGREEMENT

DATE: **MAR - 2 2009**

FILING REFERENCE: Provisional Agreement

LOCAL GOVERNMENTAL AGENCY:

Engineering Services Division
Public Works Department
City of Vacaville, California
City Hall - 650 Merchant Street
Vacaville, CA 95688

The indirect cost rates contained herein are for use on grants and contracts with the Federal Government to which Office of Management and Budget Circular A-87 applies subject to the limitations contained in Section II, A. of this agreement. The rates were negotiated by the City of Vacaville, California, Public Works Department, Engineering Services Division and the U.S. Department of Housing and Urban Development in accordance with the authority contained in Attachment E, Section E, of the Circular.

Section I: Rates

<u>Type</u>	<u>Effective Period</u>		<u>Rate*</u>	<u>Applicable To</u>
	<u>From</u>	<u>To</u>		
Provisional	7/1/08	6/30/09	101.31%	Engineering Services

*Base: Direct salaries and benefits

Section II: General

A. LIMITATIONS: Use of the rates contained in this agreement is subject to any statutory or administrative limitations and is applicable to a given grant or contract only to the extent that funds are available. Acceptance of the rates agreed to herein is predicated upon the conditions: (1) that no costs other than those incurred by the grantee/contractor or allocated to the grantee/contractor via an approved Central Service cost allocation plan were included in its indirect cost pool as finally accepted and that such incurred costs are legal obligation of the grantee/contractor and allowable under the governing cost principles, (2) that the same costs that have been treated as indirect costs have not been claimed as direct costs, (3) that similar types of costs have been accorded consistent treatment, and (4) that the information provided by the grantee/contractor which was used as a basis for acceptance of the rates agreed to herein is not subsequently found to be materially inaccurate.

B. AUDIT: Adjustments to amounts resulting from audit of the cost allocation plan upon which the

negotiation of this agreement was based will be compensated for in a subsequent negotiation.

C. CHANGES: If a fixed or predetermined rate(s) is contained in this agreement it is based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Changes in the organizational structure or changes in the method of accounting for costs which affect the amount of reimbursement from use of the rate(s) in this agreement, require the prior approval of the authorized representative of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowances.

D. NOTIFICATION TO FEDERAL AGENCIES: Copies of this document may be provided to other Federal offices as a means of notifying them of the agreement contained herein.

E. SPECIAL REMARKS: Federal programs currently reimbursing indirect costs to this Department/Agency by means other than the rates cited in this agreement should be credited for such costs and the applicable rate cited herein applied to the appropriate base to identify the proper amount of indirect costs allocable to the program.

By the Local Government Department/
Agency:

City of Vacaville
Public Works Department
Engineering Services Division

By the Responsible Agency for
the Federal Government:

U.S. Department of Housing and
Urban Development

Signature

STANLEY C. CARRASCO
Name

Asst. Dir. of Resources
Title

3/5/09
Date

Signature

Angelo Tom
Name

Director, Program Support
CPD Division
Title

MAR - 2 2009
Date

CERTIFICATE OF COST ALLOCATION PLAN

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish cost allocations or billings for [identify period covered by plan] are allowable in accordance with the requirements of OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," and the Federal award(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct.

Governmental Unit: CITY OF VACAVILLE PUBLIC WORKS

Signature:

Name of Official: STANLEY L. CORRENTI

Title: Asst. Dir. of Public Works

Date of Execution: 3/5/09